



ROYALCO RESOURCES LIMITED
**ANNUAL
REPORT
2007**

CORPORATE DIRECTORY



REGISTERED AND PRINCIPAL OFFICE:

Level 9, 356 Collins Street
Melbourne Victoria 3000
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Website: www.royalco.com.au
Email: info@royalco.com.au

DIRECTORS & MANAGEMENT:

Mr Peter Topham
Executive Chairman, CEO
Mr David Ogg
Executive Director, CFO
Mr Adam Boyd
Non Executive Director
Mr Tom Eadie
Non Executive Director
Mr Peter Lester
Non Executive Director

COMPANY SECRETARY:

Mr David Ogg

AUDITOR:

Leydin Freyer Corporate Pty Ltd
Chartered Accountants
Suite 304, 22 St Kilda Road
St Kilda, Victoria 3182

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Ph: 08 9315 2333

BANKERS:

ANZ Banking Group
388 Collins Street
Melbourne Victoria 3000

ASX CODE:

RCO (Listed 29 June 2006)

ISSUED CAPITAL:

56,411,200 ordinary shares
2,950,000 options exercisable at 50c each,
expiring 31/3/2011 (unlisted).
510,000 options exercisable at 52c each,
expiring 31/3/2011

SUBSTANTIAL SHAREHOLDERS:

Oxiana Limited	17.7%
ANZ Nominees Limited	9.1%
Keryn Anne Topham	6.8%
Riomin Australia Gold Pty Ltd	6.4%

WHATS INSIDE

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CHAIRMAN'S ADDRESS

➤ The financial year 2006/2007 was the Company's first full year of operations as an ASX listed company.

There are two separate legs to Royalco's growth strategy-royalties and exploration. The royalty initiatives are proceeding well, with our royalty interests increasing in number (from ten to fifteen). These interests have also been enhanced by potential earlier cash flow than anticipated from our interests at both Mt Garnet and Mt Kelly.

The Reefton gold royalty should also accrue income from 1st October with the first payment due early January.

We continue to express interest in acquiring additional royalties as and when they become available. There is no active market for royalty interests and sales tend to be by way of private treaty. In late 2006 we unsuccessfully tendered for a large North American royalty interest and are currently in the process of reviewing another significant package of interests. We will maintain our conservative commodity price assumptions and are not in a hurry to acquire additional royalties by offering 'too much' consideration.

We will also seek opportunities of creating fresh royalties either in a similar vein to the Syrah transaction where corporate assistance was provided, or through exploration activities. The Syrah transaction created five additional royalty interests at the pre-resource stage.

Progress on the exploration front has been slower than anticipated. In the Philippines, we have completed drilling on the Samay project area in joint venture with Freeport Phelps Dodge without identifying commercial mineralisation. Our efforts at Samay provided a swift grounding for our exploration team in a number of technical aspects – from the standardisation of core logging through to community relations and site rehabilitation. This resulted in the receipt of commendations from the Barangay (village) where our team was based, as well as the municipality concerned.

Additional soil sampling has been conducted in Surigao (Northern Mindanao) and Malangza (Panaon Island).

The two main project areas, Pao and Gambang, have both been subject to the FPIC process involving approvals by the Indigenous People affected by our exploration activities. Historically this process has been slow and arduous though recent amendments to the relevant guidelines should assist in this context.



Pao has now been cleared with all approvals in place. A drill rig was mobilised in August; however access to the area was disrupted by a number of Non Government Organisations with dubious credentials supported by the Catholic Church as well as a local Mayor whose township we pass through on the way to Pao itself. We retain the support of the inhabitants of the exploration area, the provincial Government, the Department of Environment and Natural Resources and Mines and Geosciences Bureau and the national Government; however the activities of non-representative third parties remain a concern for all mining groups active in this highly prospective region.

Alternate access into Pao has been progressed and an update will be provided at our forthcoming Annual General Meeting.

The FPIC process at Gambang is underway with a detailed community relations programme. We are advised that the NCIP approvals will be sought by January, with drilling to commence shortly thereafter.

In terms of project generation in the Philippines, we have reviewed data and conducted due diligence on five separate proposals but none have satisfied our technical requirements as yet. Two further proposals are under consideration.

Our financial position remains strong and the outlook for 2008 remains firm with royalty income from potentially three separate projects. Our exciting exploration programme should come into it's own, at last, in the next few months and we will continue to review opportunities for both royalty interests and exploration initiatives.

Peter Topham
Executive Chairman

REVIEW OF ACTIVITIES

➤ The operator of the Reefton Gold Project, Oceana Gold Ltd, has announced to the ASX that the first concentrate was sent from Reefton in March of this year.

➤ ROYALTY INTERESTS

REEFTON

Under the terms of Royalco's royalty agreement over this project, royalty payments are payable six months after the first gold is delivered from the site.

On that basis the royalty will commence from October 1st, 2007, with payment due 14 days from the end of each quarter – i.e. January 14th, 2008. The rate of the royalty payment is a sliding scale reflecting the \$NZ gold price at the pricing date for the quarter, with adjustments made on an annualised basis.

Based on prevailing gold prices, the royalty will generate 5,000 ounces of gold per annum over a project mine life of approximately seven years.

MT GARNET

Kagara Zinc Limited, the operator at Mount Garnet, has announced a resumption of mining ore from the open pit at Mt Garnet for processing from January to March 2008. Mining on a campaign basis to overcome seasonal rain patterns appears to be their preferred option.

The 3% Net Smelter Return payable to Royalco is subject to a production holiday of approximately 11,000 tonnes of contained zinc recovered. The campaign schedule should slightly exceed this figure before the mining is curtailed awaiting the following seasonal build up.

MT KELLY

The Mt Kelly Copper Project is currently being commissioned by Copperco Limited. Based on public comments as to plant capacity and actual pit locations, this royalty interest could be generating income in the second half of 2008—once again after a production holiday of approximately 11,000 tonnes of contained copper production. The royalty at Mt Kelly is a 1% Net Smelter Return on two separate royalty areas, capped at \$619,000 per area.

SYRAH RESOURCES LIMITED

During the year Royalco advanced funds to a subsidiary of Copper Strike Limited in return for a convertible equity in Syrah Resources Limited including a 1.5% Net Smelter Return on the five project areas held by Syrah.

As part of Syrah's recent Initial Public Offering, Royalco converted those funds into equity in Syrah and retains those royalty interests. The exploration targets on those tenements include gold, copper and zinc.



ROYALTY ↗
INTERESTS

BOWDENS

Additional infill drilling as part of a definitive feasibility study is believed to be in progress. The operator is Silver Standard Resources Inc based in North America.

OTHER INTERESTS

No activity of significance has been reported to date on Royalco's other royalty interests.

Summary of Existing Mineral Royalty Interests

PROJECT	OPERATOR	ROYALTY	COMMODITY
Reefton	Oceana Gold Limited	1 – 3 % ORR	Gold
Mt Garnet	Kagara Zinc Ltd	3% NSR	Zinc, lead, silver
Mt Kelly	CopperCo Limited	1% NSR	Copper, gold
Bowden's	Silver Standard Resources Inc	1 – 2 % NSR	Silver
Stanton	Hydromet Corp Ltd	1% NSR	Nickel, cobalt
Dagworth/Huonfels	Plentex Limited	1.5% ORR	Gold, silver
Heathcote	Perseverance Corporation Limited	2.5% ORR	Gold
Xanadu	Pelican Resources Limited	4% ORR	Gold
LFB	Alkane Exploration Ltd	3% NSR	Gold, copper
Lake Margaret	Copper Strike Limited	1% NSR	Copper
Mt Lyndhurst	Syrah Resources Ltd	1.5% NSR	Copper, uranium
Mackenzie/Archie	Syrah Resources Ltd	1.5% NSR	Zinc
Levuka	Syrah Resources Ltd	1.5% NSR	Copper
Munna	Syrah Resources Ltd	1.5% NSR	Gold
Norfolk	Syrah Resources Ltd	1.5% NSR	Zinc

ORR: Overriding Royalty
NSR: Net Smelter Return

Gambang Project

EP Application No CAR-00001



Pao Project

Exploration Permit EP R02-0014



Yabbe Project

EP Application No. EPA R02-0006

Manila



PHILIPPINES

12°

Malangza Project

Exploration Permit No. 2006-00006-VIII



Surigao Project

2 Exploration Permits Granted



**EXPLORATION
IN PHILIPPINES**

120°

124°



REVIEW OF ACTIVITIES CONTINUED

➤ EXPLORATION PHILIPPINES

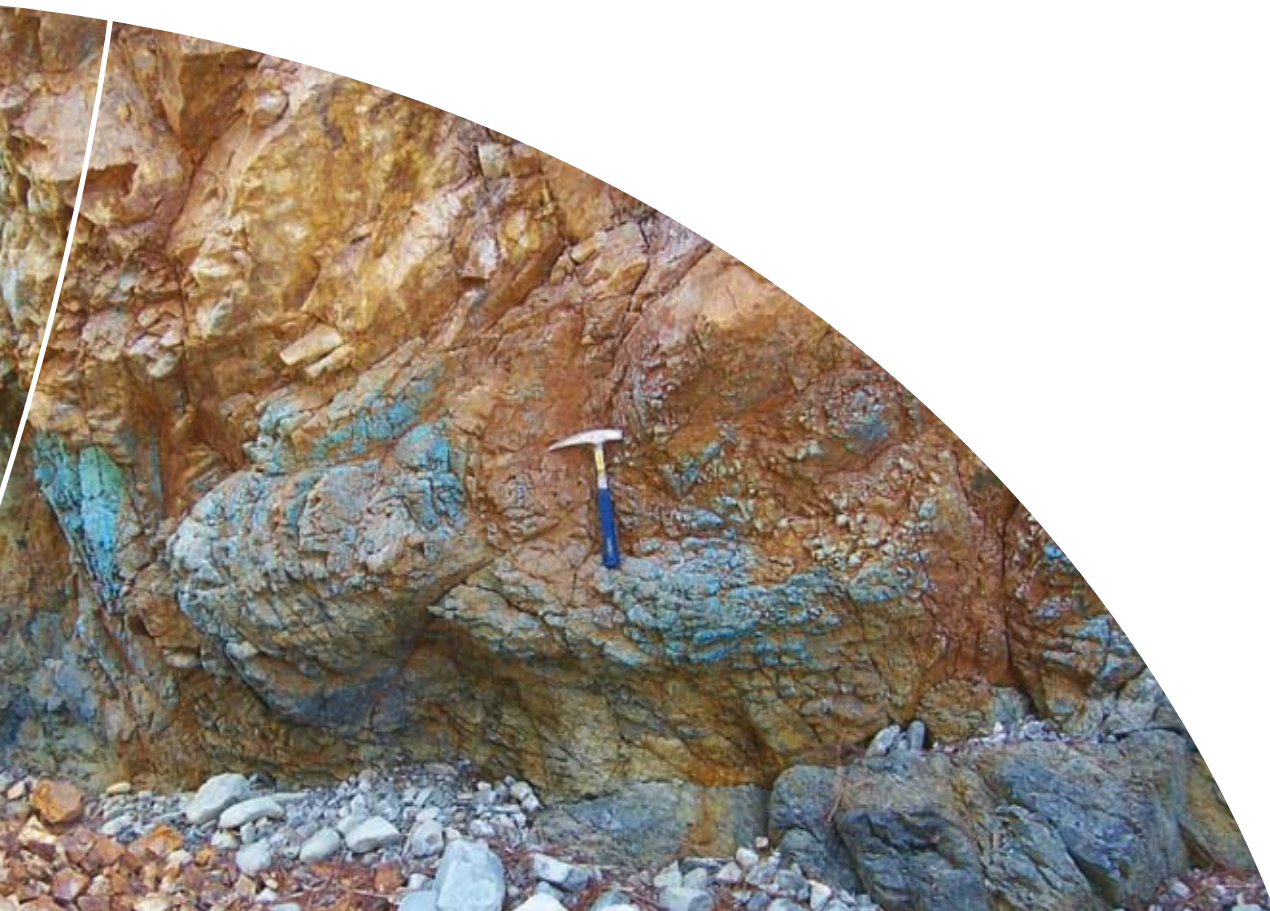
GEOPHYSICAL DATA REVIEW

During August 2006, consulting geophysicists, Frank Lindeman and Richard McRae, completed a technical assessment of the Gambang, Pao and Samay project areas.

At **Gambang**, re-interpretation of IP and magnetic surveys confirmed drill targets at the Hermans Find, Eastern Breccia and Cableway areas. The review concluded that existing geochemical sampling grids should be extended and reviewed prior to conducting additional geophysical work.

Additional IP work is being planned to test extensions of the Eastern Breccia.

At **Pao**, satellite radar imagery was re-evaluated, confirming the principal targets at Digyan, Manidyo and Yabbe, where a number of "ring structures" are coincident with magnetic structures and surface chip sampling that has returned high gold and copper results. Existing geochemical sampling grids are to be extended and reviewed.



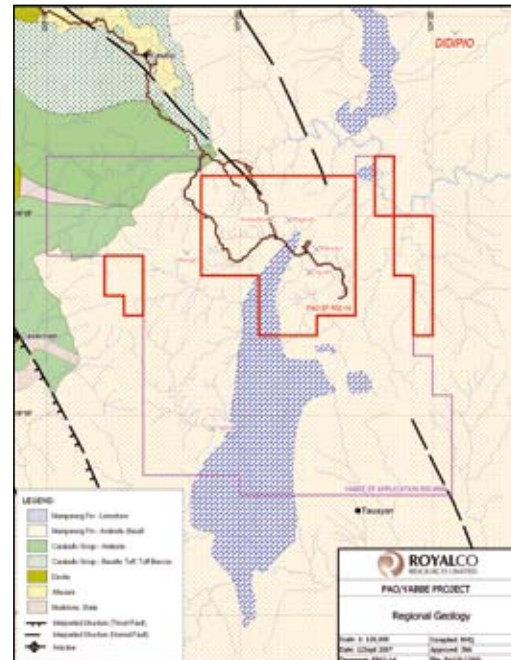
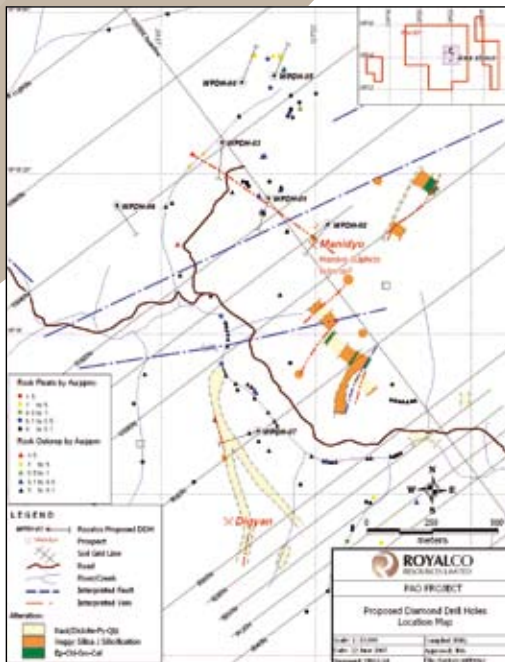


➤ PHILIPPINES - SAMAY PROJECT

In January, diamond drilling was completed on the **Samay** farm - in area with Freeport Phelps Dodge. Three diamond holes were completed (approximately 1,000 metres) without encountering any mineralization of significance. This completed our farm-in obligations and Royalco subsequently withdrew from the joint venture.

Despite the actual exploration results generated being unfavourable, the exercise provided appropriate co-ordinated drilling experience to the exploration teams and implemented staff reporting procedures to a requisite standard at minimal cost. It also enhanced our relationship with Freeport Phelps Dodge and, most importantly, established the quality of our 'social licence' for future exploration in the Philippines.

The 'social licence' reflects best practice environmental procedures as well as appropriate community interaction.



PHILIPPINES - PAO PROJECT

One of Royalco's two principal tenements, **Pao**, has now received National Commission on Indigenous Peoples ("NCIP") certification.

Roadworks to the site have been initiated on two separate tracks and development of a suitable exploration camp has been completed. A baseline environmental survey has also been finalised.

A small number of external parties recently conducted a roadblock on the access track via the municipality of Kasibu. These parties are not from the area to be explored and appear to have taken this stance for one of two reasons:-either for personal financial gain or have an anti-mining political agenda as experienced by other projects in the Province of Nueva Viscaya. Some support has been provided by the regional police.

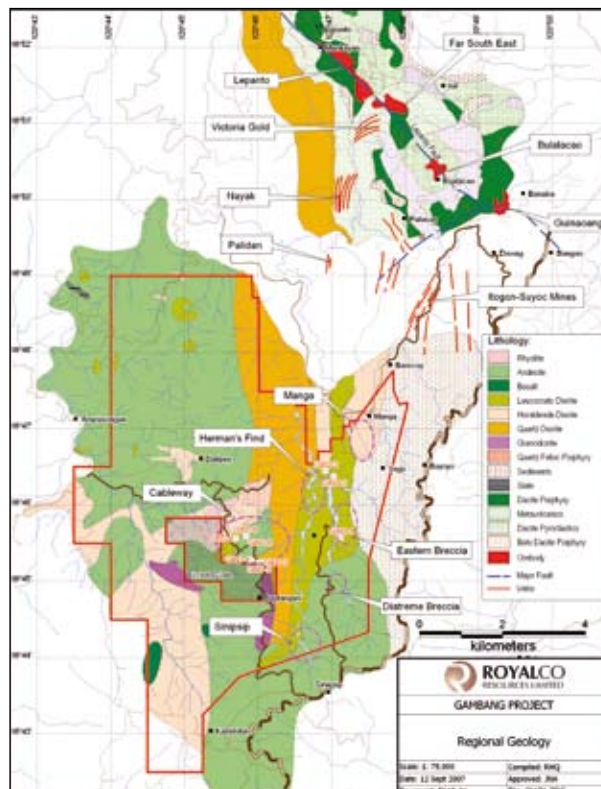
Statements made by the Mines & Geosciences Bureau and the NCIP have confirmed the validity of our tenement and we expect additional clarification/support from the Federal Government in the near term. Any suggestion that Royalco may not have conducted sufficient consultation with the local communities is a proposition we reject. Numerous meetings have been held at local and regional levels as per our activities at Samay.

Consistent with Royalco's safety guidelines, development of a second access route has been initiated that avoids the municipality of Kasibu and provides for a better quality road into **Pao**. The local tribes understand the importance and value of such infrastructure, particularly as it provides a greater choice of transport to the various markets for their farm produce. At the time of writing this review, roadworks via Yabbe were nearing completion. The development of this secondary access has the full support of the municipality (Dupax del Norte) and the concerned barangays which this road passes through.

The first diamond drill rig is on standby and can be mobilised to site within hours of road completion and would commence drilling a few days later. A second rig will be mobilised to commence approximately one month after the first rig is active.

A programme of at least 3,000 metres of diamond drilling has been designed in the first instance. Subject to results achieved the programme will be ongoing through to resource definition on the numerous epithermal gold and porphyry copper targets within the tenement.

Initial drilling will focus on the Manidyo prospect for both copper porphyry and epithermal gold veins. A sample of a vein in this area recorded 49.42 g/t Au, 348 g/t Ag and 3.94% Cu.



PHILIPPINES - GAMBANG PROJECT

A revised application has been lodged on the **Gambang** tenement to comply with recent amendments to NCIP guidelines. Adopting this fresh course of action will assist in minimising any potential disruption in the future by providing greater access to the entire tenement area.

The initial drilling campaign, once NCIP approval and final tenement approvals are in place, will test three separate copper porphyry targets:-Cableway,Herman's Find and Manga Creek.

Cableway has been the subject of limited drilling in the early 1990s and the last hole in that programme, GBD-9, encountered a 20 metre interval grading 0.42 g/t gold and 0.49% copper. This hole shows evidence of the grade increasing at depth and was only drilled to 80 metres.

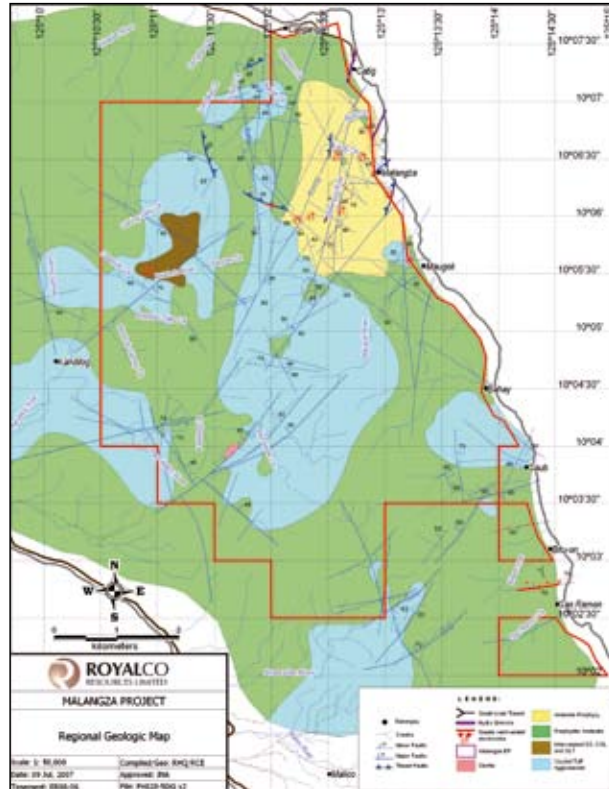
Channel sampling at Herman's Find generated copper rich intersections which include 42 metres grading 2.35% copper and 0.20 g/t gold, and 45 metres grading 2.82% copper and 0.17% g/t gold. Reconnaissance stream sediment sampling at Manga Creek returned values as high as 6.1 g/t gold and 0.16% copper .

Following listing on the ASX, an archived mine feasibility study was found relating to two of Royalco's exploration targets in the **Gambang** region, namely the Eastern Breccia and Hermans Find. The feasibility study was commissioned in 1979 by Trans-Asia Oil Company (Trans-Asia) to mine and process a higher grade 16.5 million tonne portion of a 55 million tonne Non JORC Compliant copper-gold "reserve" at a rate of 1.65 Million tonnes per annum utilising underground block caving methods.

Royalco wishes to make it clear that the Trans-Asia Study was completed 27 years ago and **is not JORC compliant**. The Feasibility Study is a summary document of a detailed mine feasibility study and whilst it includes geological plans and long sections, does not have detailed drilling data attached such as drill and assay logs. Royalco is seeking to locate additional historical data that could assist current exploration efforts.

The significance of this report, however, is that at the Eastern Breccia zone, Trans-Asia used a combination of 26 diamond drillholes and a series of exploratory tunnels to define a mineralised copper/gold porphyry with approximate dimensions of 800 metres length, up to 100 metres in width and a vertical extent greater than 300 metres. There is sufficient summary data in the plans and sections to create a detailed 3D model of the mineralised zone. Royalco believes that this data can be used to interpret mineralisation and structure and to focus an initial drilling programme at Eastern Breccia. Additionally, there is limited drillhole data which Royalco believes could be useful in exploration of the Hermans Find area.

The Eastern Breccia target will be considered in the second phase of drilling.

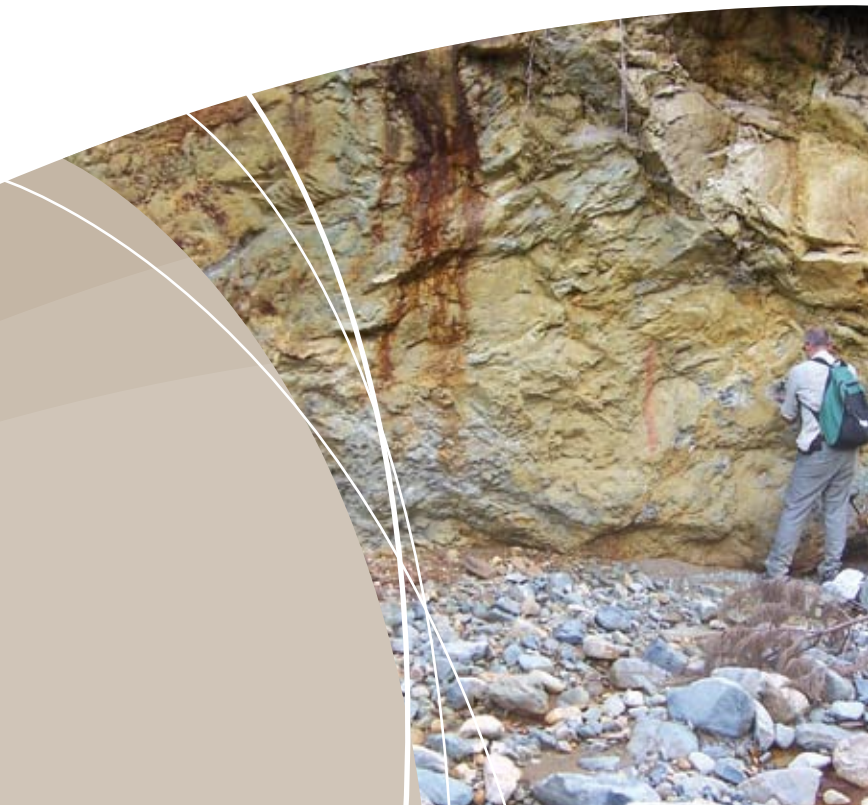


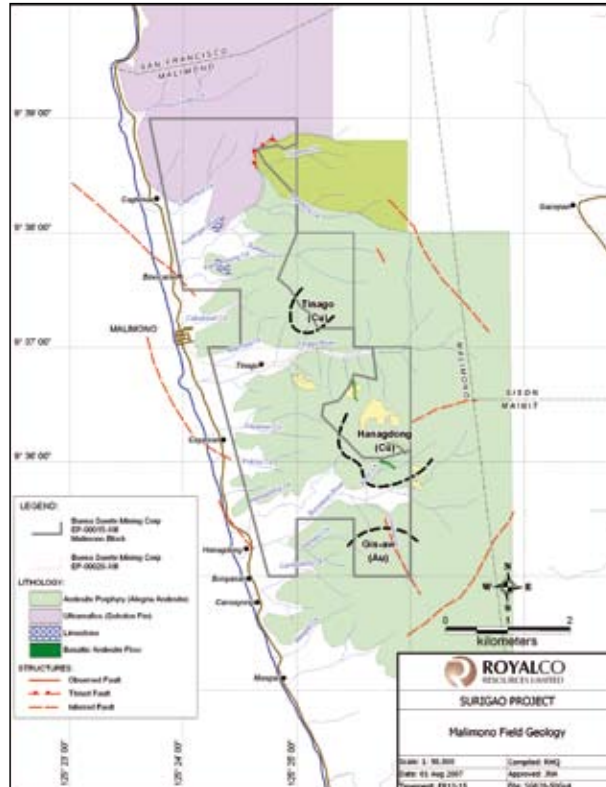
PHILIPPINES - MALANGZA PROJECT

At Malangza, following the rock chip sampling programme completed earlier in the year, a systematic ridge and spur sampling programme has commenced.

The alteration system at Malangza is substantial being in excess of 10 square kilometres.

Subject to rig availability, an initial drilling campaign will be undertaken during the first quarter 2008.





PHILIPPINES - SURIGAO PROJECT

Extensive geochemical sampling has been completed at Surigao on the Hanagdong prospect, an advanced porphyry copper target. The sampling has also recently identified a gold anomaly on the southern side of this prospect. A review of data is proceeding prior to determining the future work programme for this Tenement.

PHILIPPINES - DIMAKAWAL PROJECT

The Dimakawal farm-in interest has been converted to an unsecured loan (approximately US\$750,000) in the joint venture vehicle, Wealth Minerals Corp. This action follows a review which suggested limited potential for the project area based on Royalco's corporate requirements for exploration targets.



DIRECTORS' REPORT



The Directors of Royalco Resources Limited submit herewith the annual financial report for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Details of the Directors of the Company in office at any time during or since the end of the financial year and at the date of this report are:

DIRECTORS

Mr Peter Topham *Executive Chairman*

Qualifications: B.Ec., LLB, M.AusIMM

Experience

Board member since 26 March 2001. Peter Topham is a non-executive Director of Copper Strike Limited, a listed public company which specialises in exploration of base and precious metal projects.

From 1989 to 2000, Peter was Executive Chairman and Managing Director of Mineral Commodities Limited, for which he was responsible for rejuvenating and which, under his effective control, undertook extensive exploration in Queensland and Western Australia. Prior to becoming involved with Mineral Commodities, Peter worked in stockbroking and corporate finance with various companies including D&D Tolhurst, ANZ Capital Markets and HSBC. Peter is a Barrister and Solicitor of the Supreme Court of Victoria but does not carry on practice as such.

Directorships in listed entities

Copper Strike Limited (since 30 March 2004)

Interests in Shares and options

5,750,400 shares (5,351,956 escrowed until 29 June 2008)

1,400,000 options exercisable at 50 cents by 31 March 2011 (escrowed until 29 June 2008)

Mr David Ogg *Executive Director and Company Secretary*

Qualifications: B.Ec. M.AusIMM

Experience

Board member since 26 March 2001. David Ogg is a principal of David Ogg & Associates Pty Ltd. Prior to forming David Ogg & Associates Pty Ltd in 1989, David was involved in a variety of roles in the stockbroking, merchant banking and the financial services area generally. David was an executive director of Mineral Commodities Ltd from 1994 to 2000, and is a founding director and company secretary of Royalco Resources Ltd.

Directorships in listed entities

Nil

Interests in Shares and options

4,550,440 shares (4,151,956 escrowed until 29 June 2008)

980,000 options exercisable at 50 cents by 31 March 2011 (escrowed until 29 June 2008)

Mr Tom Eadie *Non-Executive Director*

Qualifications: M.Sc., F.AusIMM , SA Fin

Experience

Board member since 19 October 2005. Tom is Managing Director of Copper Strike Ltd and Chairman of Syrah Resources Ltd, and has significant experience within the junior resources sector, as well as technical and senior executive levels with major mining companies Pasminco, Aberfoyle Resources and Cominco. He is a past director of the AusIMM.

Directorships in listed entities

Copper Strike Limited (since 30 March 2004)
Syrah Resources Limited (since 4th May 2007)

Interests in Shares and options

48,000 shares (18,000 escrowed until 29 June 2008)
150,000 options exercisable at 50 cents by 31 March 2011 (escrowed until 29 June 2008)

Mr Adam Boyd *Non Executive Director*

Qualifications: B.Com

Experience

Board member since 19 October 2005. Adam Boyd is a Chartered Accountant with over 15 years experience in resource and infrastructure project development. He is currently Managing Director of Pacific Energy Ltd, a company developing renewable energy projects.

Directorships in listed entities

Pacific Energy Limited (since 23 June 2006)

Interests in Shares and options

78,800 shares (28,800 escrowed until 29 June 2008)
150,000 options exercisable at 50 cents by 31 March 2011 (escrowed until 29 June 2008)

Mr Peter Lester *Non Executive Director*

Qualifications: B. Eng (Hons)

Experience

Board member since 11 April 2006.

Peter is a mining engineer with extensive experience in senior operating, development and corporate roles with Newcrest, Norths, CRA and MIM. He is currently Executive General Manager - Corporate Development, for Oxiana Limited, a role he has held since 2002.

Directorships in listed entities

Nil

Interests in Shares and options

Nil shares
150,000 options exercisable at 50 cents by 31 March 2011

DIRECTORS' REPORT CONTINUED

MEETING OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors during the year ended 30 June 2007 and the number of meetings attended by each Director. During the financial year 6 board meetings were held.

Director	Full Meetings of Directors	
	Held	Attended
Mr Peter Topham	6	6
Mr David Ogg	6	6
Mr Tom Eadie	6	6
Mr Adam Boyd	6	4
Mr Peter Lester	6	6

MANAGEMENT

Joey Ayson (BS Geology) Country Manager

Joey is an exploration geologist with over 23 years experience in the Philippines and South East Asian region. Joey has worked for Royalco Philippines Inc. (previously Oxiana Philippines Inc.) for nine years, initially in a technical capacity, progressing to management of tenement administration, project evaluation, community relations and Government liaison.

Ruben Quitariano (BS Mining Engineering) Senior Mining Engineer

Ruben has worked as a mining engineer for over 19 years in the Philippines and South East Asia. Ruben has worked for Royalco Philippines Inc. for the past nine years, managing GIS data. Additional roles include supervising the Baguio regional office, tenement administration and community relations.

PRINCIPAL ACTIVITIES

The Company's principal activity in the course of the financial year was the acquisition and management of resource based royalties and exploration of mineral tenements located in the Philippines.

FINANCIAL POSITION

The consolidated operating loss after income tax for the financial year ended 30 June 2007 was \$1,469,938 (2006 – loss of \$1,652,373).

The net assets of the consolidated entity have decreased by \$1,427,788 from 30 June 2006 to \$14,937,825. The major movements were:

- (i) Capitalisation of exploration expenditure
- (ii) Operating costs

The consolidated entity's working capital, being current assets less current liabilities was \$9,416,130 in 2007 compared with \$10,756,836 in 2006.

The Directors believe the Company is in a very sound position to expand and grow its current operations.

REVIEW OF OPERATIONS

Refer to the Review of Operations preceding this Directors Report.

DIVIDENDS

No dividends were paid or declared during the year and the Directors do not recommend the payment of a dividend.

CHANGES IN STATE OF AFFAIRS

During the financial year there were the following significant changes in the state of affairs of the Company:

- The company issued 150,000 options, exercisable at \$0.50 on or before 31st March 2011 to a director.
- The company issued 510,000 options, exercisable at \$0.52 on or before 31st March 2011 to various employees of, and consultants to, the Company.

AFTER BALANCE DATE EVENTS

There has been no matter or circumstance, other than that referred to in Note 27, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments of the operation of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The company has during or since the financial year, in respect of each of the directors and the Company secretary agreed to indemnify against a liability, including costs or expenses in successfully defending legal proceedings. The company has not, however, agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

ENVIRONMENTAL REGULATIONS

The economic entity holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the entity's tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2007.

REMUNERATION REPORT

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	Consolidated	Consolidated
	2007	2006
	\$	\$
Short-term employment benefits	402,502	416,575
Post employment benefits	150,200	83,575
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	27,721	517,470
	580,423	1,017,620

The compensation of each member of the key management personnel of the consolidated entity is following.

Non-Executive Director Remuneration

Non-executive directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act at the time of the Directors retirement or termination. Non-Executive Directors remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the amount of director fees being paid by comparable companies with similar responsibilities and the experience of the non-executive directors when undertaking the annual review process.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Further details regarding components of director and executive remuneration are provided in the notes to the financial statements

The names and positions of each person who held the position of director at any time during the financial year is provided above.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

DIRECTORS' REPORT CONTINUED

Details of Remuneration for Year Ended 30 June 2007

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions \$	Super-annuation Contribution \$	Non-cash Benefits \$	Options \$	Total \$
Directors					
Mr P J Topham	270,000	32,400	-	-	302,400
Mr D Ogg	62,500	105,113	-	-	167,613
Mr T Eadie	43,750	12,687	-	-	56,437
Mr A Boyd	26,252	-	-	-	26,252
Mr P Lester	-	-	-	27,721	27,721
	402,502	150,200	-	27,721	580,423

Options Issued as Part of Remuneration for the Year Ended 30 June 2007

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Royalco Resources Limited to increase goal congruence between executives, directors and shareholders.

	Number of Options granted	Value of Options Granted at grant date \$	Total Remuneration Represented by Options %	Exercise Price of Options \$	Expiry Date of Options
Directors					
Mr P J Topham	-	-	-	-	-
Mr D Ogg	-	-	-	-	-
Mr T Eadie	-	-	-	-	-
Mr A Boyd	-	-	-	-	-
Mr P Lester	150,000	27,721	100.00	\$0.50	31/03/2011
	150,000	27,721			

Options granted as part of remuneration have been valued using a Black Scholes option pricing model, which takes account various factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. The value of the options at grant date was calculated at 18.48 cents per option based on the following assumptions:

Share Price	50 cents
Exercise Price	50 cents
Volatility	30%
Time to maturity	5 Years
Risk free interest rate	5.5%

Details of Remuneration for Year Ended 30 June 2006

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions \$	Super- annuation Contribution \$	Non-cash Benefits \$	Options \$	Total \$
Directors					
Mr P J Topham	270,000	27,000	-	258,734	555,734
Mr D Ogg	110,000	55,000	-	181,114	346,114
Mr T Eadie	17,500	1,575	-	27,722	46,797
Mr A Boyd	19,075	-	-	27,722	46,797
Mr P Lester	-	-	-	-	-
Mr H Hill ⁽¹⁾	-	-	-	22,178	22,178
	416,575	83,575	-	517,470	1,017,620

(1) Mr Hill resigned as a director on 19 October 2005

Options Issued as Part of Remuneration for the Year Ended 30 June 2006

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Royalco Resources Limited to increase goal congruence between executives, directors and shareholders.

	Number of Options granted	Value of Options Granted at grant date \$	Total Remuneration Represented by Options %	Exercise Price of Options \$	Expiry Date of Options
Directors					
Mr P J Topham	1,400,000	258,734	46.56	0.50	31/3/2011
Mr D Ogg	980,000	181,114	52.33	0.50	31/3/2011
Mr T Eadie	150,000	27,722	59.24	0.50	31/3/2011
Mr A Boyd	150,000	27,722	59.24	0.50	31/3/2011
Mr P Lester	-	-	-	-	-
Mr H Hill	120,000	22,178	100.00	0.50	31/3/2011
	2,800,000	517,470			

(1) Mr Hill resigned as a director on 19 October 2005

Options granted as part of remuneration have been valued using a Black Scholes option pricing model, which takes account various factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. The value of the options at grant date was calculated at 18.48 cents per option.

DIRECTORS' REPORT CONTINUED



Employment contracts

The Executive Chairman, Mr P Topham is employed under contract. The employment contract commenced on 1 July 2005. Under the terms of the present contract:

- Mr Topham may resign from his positions and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement following 24 months from the date of the Agreement by providing 12 months written notice.
- The Company may terminate the contact at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Mr Topham will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

An Executive Director, Mr D Ogg, is employed under contract. The employment contract commenced on 1 July 2005 under the terms of the present contract.

- Mr Ogg may resign from his position and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement following 24 months from the date of the Agreement by providing 12 months written notice.
- The Company may terminate the contact at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Ogg is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Mr Ogg will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Item	Number	Exercise Price	Expiry Date
Unlisted Options A	2,950,000	50 cents	31 March 2011
Unlisted Options B	510,000	52 cents	31 March 2011

During the year 150,000 A options were issued and 510,000 B options were issued. No options were exercised. Refer to the notes to the financial statements for details of options granted.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court under Section 327 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The lead auditors independence declaration for the year ended 30 June 2007 has been received and is presented on page 21 of the Annual Report.

Non-Audit Services

The directors are satisfied that the provision on non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

There were no non-audit services provided by the Company's auditor during the year to 30 June 2007.

CORPORATE GOVERNANCE



In recognising the need for the highest standards of corporate behavior and accountability, the Directors of Royalco Resources Limited support the principles of Corporate Governance. The Company's Corporate Governance statement is contained in the additional ASX information section of this annual report.

Signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Peter J Topham
MELBOURNE,
27 September 2007

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2007



As lead auditor for the audit of Royalco Resources Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Royalco Resources Limited and the entities it controlled during the year.

LeydinFreyer

LEYDIN FREYER CORPORATE PTY LTD
Chartered Accountants

M J Leydin
Director

27 September 2007

FINANCIAL INFORMATION

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
Revenue	2	765,412	119,832	764,634	119,832
Administration		(427,148)	(337,794)	(368,822)	(337,795)
Employment costs		(621,569)	(575,454)	(621,559)	(575,454)
Depreciation		(21,062)	(1,974)	(11,126)	(1,974)
Impairment of assets		-	(22,216)	-	(22,216)
Share based payments		(77,701)	(517,468)	(77,701)	(517,468)
Exploration costs written off		(1,275,400)	(809,929)	(334,421)	-
Provision for diminution in investments		-	-	-	(1,253,770)
Operating loss before income tax	3	(1,657,468)	(2,145,003)	(648,995)	(2,588,845)
Income tax benefit attributable to operating loss	4	187,530	492,630	187,530	889,124
Operating loss after income tax benefit		(1,469,938)	(1,652,373)	(461,465)	(1,699,721)
Loss attributable to members of the parent entity		(1,469,938)	(1,652,373)	(461,465)	(1,699,721)
		Cents per share	Cents per share		
Earnings per Share					
Basic Earnings/(Loss) per share	25	(2.61)	(7.49)		
Diluted Earnings/(Loss) per share	25	(2.46)	(6.94)		

This statement is to be read in conjunction with the notes to the financial statements.

FINANCIAL INFORMATION

➤ BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
Current Assets					
Cash and cash equivalents	6	9,008,311	10,827,559	8,840,391	10,688,892
Trade and other receivables	7	47,447	113,552	44,788	106,242
Other financial assets	8	491,850	119,970	491,850	119,970
Other current assets	9	3,510	14,561	-	-
Total Current Assets		9,551,118	11,075,642	9,377,029	10,915,104
Non-Current Assets					
Deferred tax assets	10	1,105,786	918,256	1,502,280	1,314,750
Other financial assets	8	-	-	4,877,632	4,062,563
Plant and Equipment	11	66,538	4,230	13,976	4,230
Royalty Rights	12	336,697	336,697	336,697	336,697
Intangible assets	13	424,568	418,035	6,533	-
Exploration expenditure		3,556,151	3,977,045	-	68,263
Other non-current assets	15	72,817	6,658	72,817	6,658
Total Non-Current Assets		5,562,557	5,660,921	6,809,935	5,793,161
Total Assets		15,113,675	16,736,563	16,186,964	16,708,265
Current Liabilities					
Trade and other payables	16	42,330	182,597	93,136	175,840
Provisions	17	92,658	136,209	92,658	136,209
Total Current Liabilities		134,988	318,806	185,794	312,049
Non-Current Liabilities					
Provision	17	40,862	52,144	40,862	52,144
Total Non-Current Liabilities		40,862	52,144	40,862	52,144
Total Liabilities		175,850	370,950	226,656	364,193
Net Assets		14,937,825	16,365,613	15,960,308	16,344,072
Equity					
Contributed Equity	18	18,546,934	18,546,934	18,546,934	18,546,934
Reserves	19	533,811	491,661	595,170	517,468
Accumulated losses		(4,142,920)	(2,672,982)	(3,181,795)	(2,720,330)
Total Equity		14,937,825	16,365,613	15,960,309	16,344,072

This statement is to be read in conjunction with the notes to the financial statements.

FINANCIAL INFORMATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

CONSOLIDATED	Attributable to equity holders of the parent				
	Issued Capital	Retained Earnings	Option Reserves(s)	Foreign Currency Transaction Reserve	Total
Equity as at 1 July 2005	1,990,826	(1,020,609)	-	-	970,217
Share based on payments	-	-	517,468	-	517,468
Currency translation differences	-	-	-	(25,807)	(25,807)
Loss for the period	-	(1,652,373)	-	-	(1,652,373)
Issue of Shares	17,456,000	-	-	-	17,456,000
Cost of capital raising	(899,892)	-	-	-	(899,892)
Equity as at 30 June 2006	18,546,934	(2,672,982)	517,468	(25,807)	16,365,613
Equity as at 1 July 2006	18,546,934	(2,672,982)	517,468	(25,807)	16,365,613
Share based on payments	-	-	77,702	-	77,702
Currency translation differences	-	-	-	(35,552)	(35,552)
Loss for the period	-	(1,469,938)	-	-	(1,469,938)
Issues of shares	-	-	-	-	-
Cost of capital raising	-	-	-	-	-
Equity as at 30 June 2007	18,546,934	(4,142,920)	595,170	(61,359)	14,937,825

PARENT	Attributable to equity holders of the parent				
	Issued Capital	Retained Earnings	Option Reserves(s)	Foreign Currency Transaction Reserve	Total
Equity as at 1 July 2005	1,990,826	(1,020,609)	-	-	970,217
Share based on payments	-	-	517,468	-	517,468
Loss for the period	-	(1,699,721)	-	-	(1,699,721)
Issue of Shares	17,456,000	-	-	-	17,456,000
Cost of capital raising	(899,892)	-	-	-	(899,892)
Equity as at 30 June 2006	18,546,934	(2,720,330)	517,468	-	16,344,072
Equity as at 1 July 2006	18,546,934	(2,720,330)	517,468	-	16,344,072
Share based on payments	-	-	77,702	-	77,702
Loss for the period	-	(461,465)	-	-	(461,465)
Issues of shares	-	-	-	-	-
Cost of capital raising	-	-	-	-	-
Equity as at 30 June 2007	18,546,934	(3,181,795)	595,170	-	15,960,309

This statement is to be read in conjunction with the notes to the financial statements.

FINANCIAL INFORMATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
	Note				
Cash Flows From Operating Activities					
Receipts from customers		5,429	-	-	-
Interest received		591,788	11,053	591,788	11,053
Income Tax		-	864	-	864
Payments to suppliers and employees		(1,216,285)	(712,935)	(1,075,886)	(712,935)
Net cash used in operating activities	23	(619,068)	(701,018)	(484,098)	(701,018)
Cash Flows From Investing Activities					
Payment for investment in subsidiary		-	(294,277)	-	(294,277)
Payment for exploration expenditure		(854,506)	(68,263)	(266,158)	(68,263)
Proceeds from sale of financial assets		65,138	24,900	65,138	24,900
Payment for financial assets		(54,750)	(19,500)	(54,750)	(19,500)
Payment for plant and equipment		(89,903)	(5,828)	(27,405)	(5,828)
Payment to related entity		(200,000)	-	(200,000)	-
Payment to subsidiary		-	-	(815,069)	-
Payment for security deposits		(66,159)	-	(66,159)	-
Net cash provided by/(used in) investing activities		(1,200,180)	(362,968)	(1,364,403)	(362,968)
Cash Flows From Financing Activities					
Proceeds from the issue of shares		-	12,456,000	-	12,456,000
Cost of capital raising		-	(899,892)	-	(899,892)
Net cash provided by financing activities		-	11,556,108	-	11,556,108
Net Increase (Decrease) in Cash Held					
		(1,819,248)	10,492,122	(1,848,501)	10,492,122
Cash and cash equivalents at the Beginning of the Financial Year		10,827,559	196,770	10,688,892	196,770
Cash acquired on acquisition of subsidiary		-	138,667	-	-
Cash and cash equivalents at the End of the Financial Year					
	6	9,008,311	10,827,559	8,840,391	10,688,892

This statement is to be read in conjunction with the notes to the financial statements.

FINANCIAL INFORMATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1/ STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

Royalco Resources Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

AASB 7 'Financial Instruments: Disclosures and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
AASB 8 'Operating Segments	Effective for annual reporting periods beginning on or after 1 January 2009.
AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007.
AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED151 and other standards	Effective for annual reporting periods beginning on or after 1 July 2007.
Interpretation 10 'Interim Financial Reporting and Impairment'.	Effective for annual reporting periods beginning on or after 1 November 2006.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company's and the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company's annual reporting period beginning on 1 July 2007.

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 27 September 2007.

BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007.

PRINCIPALS OF CONSOLIDATION

A controlled entity is any entity Royalco Resources Limited has the power to control the financial and operational policies of so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operational results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as separate items in the consolidated financial report.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(b) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(f) Exploration Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(g) Royalty Rights

Under AASB 138 Intangible Assets, Royalty Rights can only be recognised when it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. On initial recognition, all Royalty Rights must be measured at cost. Subsequently, these Rights can be measured at fair value by reference to an active market; these carrying values must be assessed regularly to ensure the carrying amount does not materially differ from the fair value at reporting date.

Amortisation of these rights will commence once the asset is income producing. The amortization method and useful life will be assessed at the end of each reporting period.

An active market does not exist for Royalty Rights therefore they have been recorded at cost. This will be reassessed at the end of each reporting period.

(h) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Share-Based Payments

Equity-settled share-based payments with employees and other providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the Remuneration Report.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

(j) Employment Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their normal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(k) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation
Plant and equipment	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(l) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortised on a straight-line basis over the life of the lease term.

(m) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
2/ REVENUE				
Non-Operating Revenue				
Fair value gains	165,383	66,671	165,383	66,671
Interest revenue – other entities	585,366	39,949	585,366	39,949
Profit on sale of investments	13,885	4,912	13,885	4,912
Other Income	778	8,300	-	8,300
Total Revenue	765,412	119,832	764,634	119,832
3/ PROFIT/(LOSS) FOR THE YEAR				
Loss before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing operations				
Impairment of royalty rights	-	(22,216)	-	(22,216)
Rental expense on operating lease	(19,951)	(20,060)	(19,951)	(20,060)
Depreciation expenses	(21,062)	(1,974)	(11,126)	(1,974)
Employee Benefit Expense				
Superannuation Contributions	148,625	83,575	148,625	83,575
Employee entitlements	(36,225)	131,879	(36,225)	131,879
Equity settled share based payments	77,701	517,468	77,701	517,468
Total Employee Benefit Expense	190,101	732,922	190,101	732,922

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
4/ INCOME TAX EXPENSE				
(a) The Components of Tax Expense comprise:				
Current Tax	-	-	-	-
Deferred Tax	1,105,785	918,255	1,502,280	1,314,750
	1,105,785	918,255	1,502,280	1,314,750
(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Loss from Ordinary Activities	1,657,468	2,145,003	648,995	2,588,845
Income tax benefit calculated at 30%	497,240	643,501	194,699	776,654
Less:				
Tax Effect of:				
- Share Based Payments	(23,310)	155,240	(23,310)	155,240
- Non deductible	(5,678)	21,757	(5,678)	1,394
- Foreign expenditure	(302,541)	-	-	-
- Write off Exploration	-	242,978	-	-
	165,711	223,526	165,711	620,020
Add:				
Tax Effect of:				
- Net prior year adjustment	21,346	-	21,346	-
- Other deductible	473	269,104	473	269,104
	187,530	492,630	187,530	889,124

TAX CONSOLIDATION

Relevance of tax consolidation to the economic entity

Royalco Resources Ltd and its wholly owned subsidiaries have formed a tax consolidated group with effect from 1 July 2005 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Royalco Resources Ltd.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax consolidated group have not entered into a tax funding arrangement nor a tax sharing agreement with the head entity.

5/ KEY MANAGEMENT PERSONNEL COMPENSATIONS

a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year:

Mr P Topham	Chairman – Executive
Mr D Ogg	Director – Executive
Mr T Eadie	Director – Non Executive
Mr A Boyd	Director – Non Executive
Mr P Lester	Director – Non Executive

b) Key Management Personnel Compensation

Refer to Remuneration Report contained within the Directors Report.

c) Options holdings by Key Management Personnel

2006	Balance 1/07/2005	Granted as compensation	Net Change Other⁽²⁾	Balance 30/06/2006
Mr P J Topham	-	1,400,000 ⁽¹⁾	-	1,400,000
Mr D Ogg	-	980,000 ⁽¹⁾	-	980,000
Mr T Eadie	-	150,000 ⁽¹⁾	-	150,000
Mr A Boyd	-	150,000 ⁽¹⁾	-	150,000
Mr P Lester	-	-	-	-
Mr H Hill ⁽³⁾	-	120,000 ⁽¹⁾	(120,000)	-
	-	2,800,000	(120,000)	2,680,000

⁽¹⁾ These options are subject to escrow until 29 June 2008

⁽²⁾ Net change other refers to options purchased during the year or directors no longer requiring disclosure.

⁽³⁾ Mr Hill resigned as a director on 19 October 2005

2007	Balance 1/07/2006	Granted as compensation	Net Change Other⁽²⁾	Balance 30/06/2007
Mr P J Topham	1,400,000	-	-	1,400,000 ⁽¹⁾
Mr D Ogg	980,000	-	-	980,000 ⁽¹⁾
Mr T Eadie	150,000	-	-	150,000 ⁽¹⁾
Mr A Boyd	150,000	-	-	150,000 ⁽¹⁾
Mr P Lester	-	150,000	-	150,000
	2,680,000	150,000	-	2,830,000

⁽¹⁾ These options are subject to escrow until 29 June 2008

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

5/ KEY MANAGEMENT PERSONNEL COMPENSATIONS (CONTINUED)

d) Share holdings by Key Management Personnel

2006	Balance 1/07/2005 ⁽⁵⁾	Received as compensation	Options Exercised	Net Change Other ⁽⁶⁾	Balance 30/06/2006
Mr P J Topham	5,750,400	-	-	-	5,750,400 ⁽¹⁾
Mr D Ogg	4,550,400	-	-	-	4,550,400 ⁽²⁾
Mr T Eadie	-	-	-	48,000	48,000 ⁽³⁾
Mr A Boyd	-	-	-	78,800	78,800 ⁽⁴⁾
Mr P Lester	-	-	-	-	-
	10,300,800	-	-	126,800	10,427,600

⁽¹⁾ 5,351,956 shares are escrowed until 29 June 2008.

⁽²⁾ 4,151,956 shares are escrowed until 29 June 2008.

⁽³⁾ 18,000 shares are escrowed until 29 June 2008.

⁽⁴⁾ 28,000 shares are escrowed until 29 June 2008.

⁽⁵⁾ Restated as post-reconstruction holdings on a 2.4:1 basis.

⁽⁶⁾ Net change other refers to share purchased during the year.

2007	Balance 1/07/2006	Received as compensation	Options Exercised	Net Change Other	Balance 30/06/2007
Mr P J Topham	5,740,400	-	-	-	5,740,400 ⁽¹⁾
Mr D Ogg	4,550,400	-	-	-	4,550,400 ⁽²⁾
Mr T Eadie	48,000	-	-	-	48,000 ⁽³⁾
Mr A Boyd	78,800	-	-	-	78,800 ⁽⁴⁾
Mr P Lester	-	-	-	-	-
	10,417,600	-	-	-	10,417,600

⁽¹⁾ 5,351,956 shares are escrowed until 29 June 2008.

⁽²⁾ 4,151,956 shares are escrowed until 29 June 2008.

⁽³⁾ 18,000 shares are escrowed until 29 June 2008.

⁽⁴⁾ 28,000 shares are escrowed until 29 June 2008.

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
6/ CASH AND CASH EQUIVALENTS				
Cash on hand and at bank	1,008,311	2,827,559	840,391	2,688,892
Short term bank deposits	8,000,000	8,000,000	8,000,000	8,000,000
	9,008,311	10,827,559	8,840,391	10,688,892

The effective interest rate on short term bank deposits was 5.97%; these deposits have an average maturity date of 75 days.

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
7/ TRADE AND OTHER RECEIVABLES				
Trade Receivables	2,659	7,310	-	-
GST receivable	19,814	74,846	19,814	74,846
Interest receivable	24,974	31,396	24,974	31,396
	47,447	113,552	44,788	106,242
8/ OTHER FINANCIAL ASSETS				
<i>Investments carried at cost</i>				
Non-current				
Investments in subsidiaries	-	-	4,877,632	4,062,563
<i>Financial Assets carried at fair value through profit or loss</i>				
Current				
Shares in listed corporations	271,850	99,970	271,850	99,970
Shares in unlisted corporations	20,000	20,000	20,000	20,000
<i>Loans carried at amortised cost:</i>				
Current				
Loans to Related entities	200,000	-	200,000	-
	491,850	119,970	5,369,482	4,182,533
Disclosed in the financial statements as:				
Current other financial assets	491,850	119,970	491,850	119,970
Non-current other financial assets	-	-	4,877,632	4,062,563
	491,850	119,970	5,369,482	4,182,533

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates are significant. As a result, all unlisted investments are reflected at cost. Unlisted available for sale financial assets exist with active markets and could be disposed of if required.

Details of the investments in the controlled entities are:

Name of Entity	Country of Incorporation	% Held 2007	% Held 2006
Royalco Philippines Inc	Philippines	100	100
Ginto Minerals Pty Ltd	Australia	100	100
Royalco Resources (No1) Pty Ltd	Australia	100	100

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
9/ OTHER CURRENT ASSETS				
Prepayments	3,510	14,561	-	-
10/ TAX ASSETS AND LIABILITIES				
(a) Assets				
Non- Current				
Deferred tax asset comprises:				
Provision	40,056	56,506	40,056	56,506
Capital raising costs	165,377	222,506	165,377	222,506
Accruals	5,400	-	5,400	-
Other Financial Assets (Unlisted Investments)	-	-	396,495	396,495
Other	551	-	551	-
Carry Forward Tax Losses	981,024	691,373	981,024	691,373
Less: amount offset by deferred tax liabilities	(86,623)	(52,130)	(86,623)	(52,130)
	1,105,785	918,255	1,502,280	1,314,750
(b) Liabilities				
Non- Current				
Deferred tax liability comprises:				
Exploration Expenditure	-	20,479	-	20,479
Royalty Rights	8,749	2,981	8,749	2,981
Interest Receivable	7,492	8,669	7,492	8,669
Available for sale financial assets	70,382	20,001	70,382	20,001
Less: amount offset by deferred tax assets	(86,623)	(52,130)	(86,623)	(52,130)
	-	(0)	-	(0)
(c) Reconciliations				
(i) Gross Movements				
The overall movement in the deferred tax balances is as follows:				
Opening balance	918,255	425,626	1,314,750	425,626
Charge / (credit) to the income statement	130,401	492,629	130,401	889,124
Charge / (credit) to the equity	57,129	-	57,129	-
Closing balance	1,105,785	918,255	1,502,280	1,314,750
(ii) Deferred tax assets				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provision:				
Opening balance	56,506	16,942	56,506	16,942
Charge / (credit) to the income statement	(16,450)	39,564	(16,450)	39,564
Closing balance	40,056	56,506	40,056	56,506

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
10/ TAX ASSETS AND LIABILITIES (CONTINUED)				
Capital Raising Costs				
Opening balance	222,506	-	222,506	-
Charge / (credit) to equity	(57,129)	222,506	(57,129)	222,506
Closing balance	165,377	222,506	165,377	222,506
Accruals				
Opening balance	-	-	-	-
Charge / (credit) to the income statement	5,400	-	5,400	-
Closing balance	5,400	-	5,400	-
Other Financial Assets (Unlisted Investments)				
Opening balance	-	-	396,495	-
Charge / (credit) to the income statement	-	-	-	396,495
Closing balance	-	-	396,495	396,495
Carry Forward Tax Losses				
Opening balance	691,373	402,698	691,373	402,698
Charge / (credit) to the income statement	289,651	288,675	289,651	288,675
Closing balance	981,024	691,373	981,024	691,373
Other				
Opening balance	-	-	-	-
Charge / (credit) to the income statement	551	-	551	-
Closing balance	551	-	551	-
(iii) Deferred tax liability				
Exploration Expenditure				
Opening balance	-	-	-	-
Charge / (credit) to the income statement	20,479	(20,479)	20,479	(20,479)
Amount offset by deferred tax assets	(20,479)	20,479	(20,479)	20,479
Closing balance	-	-	-	-
Royalty Rights				
Opening balance	-	-	-	-
Charge / (credit) to the income statement	(5,768)	(2,981)	(5,768)	(2,981)
Amount offset by deferred tax assets	5,768	2,981	5,768	2,981
Closing balance	-	-	-	-
Interest Receivable				
Opening balance	-	-	-	-
Charge / (credit) to the income statement	1,177	(8,669)	1,177	(8,669)
Amount offset by deferred tax assets	(1,177)	8,669	(1,177)	8,669
Closing balance	-	-	-	-

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
10/ TAX ASSETS AND LIABILITIES (CONTINUED)				
Available for sale financial assets				
Opening balance				
Charge / (credit) to the income statement	(50,381)	(19,821)	(50,381)	(19,821)
Amount offset by deferred tax assets	50,381	19,821	50,381	19,821
Closing balance	-	-	-	-
11/ PLANT AND EQUIPMENT				
Plant and equipment – at cost	88,979	6,299	21,300	6,299
Less: accumulated depreciation	(22,441)	(2,069)	(7,324)	(2,069)
	66,538	4,230	13,976	4,230
Reconciliation of plant and equipment				
Carrying amount at beginning of the year	4,230	376	4,230	376
Additions	77,462	5,828	14,964	5,828
Depreciation expense	(15,154)	(1,974)	(5,218)	(1,974)
Carrying amount at end of the year	66,538	4,230	13,976	4,230
12/ ROYALTY RIGHTS				
Royalty Rights – at cost	336,697	336,697	336,697	336,697
13/ INTANGIBLES				
Goodwill on consolidation	418,035	418,035	-	-
Software	6,533	-	6,533	-
	424,568	418,035	6,533	-
14/ EXPLORATION ASSETS				
Costs carried forward in respect of areas of interest in exploration and evaluation phase	3,556,151	3,977,045	-	68,263
Reconciliation of deferred exploration and evaluation costs				
Balance at beginning of year	3,977,045	-	68,263	-
Acquisition through business combination	-	4,786,974	-	-
Current year expenditure	854,506	-	266,158	68,263
Write-off during the year	(1,275,400)	(809,929)	(334,421)	-
Balance at end of year	3,556,151	3,977,045	-	68,263

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.

Capitalised cost of \$854,506 (2006: \$68,263) have been included in cash flows from investing activities in the cash flow statement.

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
15/ OTHER NON-CURRENT ASSETS				
Security deposits paid	72,817	6,658	72,817	6,658
16/ TRADE AND OTHER PAYABLES				
Trade creditors and accruals	42,330	182,597	93,136	175,840
17/ PROVISIONS				
Current				
Provision for employee entitlements	92,658	136,209	92,658	136,209
Non-Current				
Provision for employee entitlements	40,862	52,144	40,862	52,144
18/ CONTRIBUTED EQUITY				
(a) 56,411,200 (2006 : 56,411,200) fully paid ordinary shares	18,546,934	18,546,934	18,546,934	18,546,934

(b) Movements in ordinary share capital of the company were as follows:

Date	Details	Number of shares	\$
01-07-2005	Opening Balance	8,730,000	1,990,826
18-10-2005 to 07-02-2006	Seed Capital Issues	608,000	456,000
		9,338,000	2,446,826
07-04-2006	Capital Reconstruction (2.4:1 basis)	22,411,200	2,446,826
27-06-2006	IPO and Oxiana Ltd Issues	34,000,000	17,000,000
	Less: Cost of capital raising		(899,892)
30-06-2006	Closing Balance	56,411,200	18,546,934

There has been no movement in the 2007 financial year.

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
19/ RESERVES				
Option reserve	595,170	517,468	595,170	517,468
Foreign currency translation reserve	(61,359)	(25,807)	-	-
	533,811	491,661	595,170	517,468

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
20/ COMMITMENTS FOR EXPENDITURE				
Exploration Tenements – Commitments for Expenditure				
In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:				
Not later than one year	154,009	319,334	-	-
Later than one year but not later than five	34,425	584,044	-	-
Later than five years	-	-	-	-
	188,434	903,378	-	-

21/ SEGMENT REPORTING

a) Industry Segments

The economic entity has the following two business segments:

Royalty Rights is the primary business segment and the Company is also involved in the exploration of mineral deposits throughout the Philippines.

Exploration of the mineral deposits is predominately carried out in the Philippines through the company's subsidiary Royalco Philippines Inc. The parent entity has minor activity in the exploration segment.

	Royalty Rights		Exploration		Corporate Overhead		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue								
External Sales	-	-	-	-	765,412	119,832	765,412	119,832
Result								
Segment Result	(127,044)	(842,444)	(1,342,894)	(809,929)	-	-	(1,469,938)	(1,652,373)
Assets								
Segment Assets	357,206	336,697	3,608,713	3,977,045	11,147,756	12,422,821	15,113,675	16,736,563
Liabilities								
Segment Liabilities	40,087	4,501	2,241	74,380	133,522	292,069	175,850	370,950
Other								
Acquisition of Segment Assets	14,964	5,828	917,004	68,263	-	-	931,968	74,091
Depreciation of Segment Assets	5,218	1,974	9,936	-	-	-	15,154	1,974
Other non cash segment expenses		22,216		809,929		517,468		1,349,613

21/ SEGMENT REPORTING (CONTINUED)

b) Geographical Segments

The consolidated entity's operations are located in Australian and Philippines. The entity commenced operations in the Philippines upon the purchases of its subsidiary on 27 June 2006.

Secondary Reporting – Geographical Segments

Location	Segment Revenues from External Customers		Carrying amounts of Segment Assets		Acquisition of Non-current Segment Assets	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
Australia	764,634	119,832	11,330,873	11,895,116	14,964	74,091
Philippines	778	-	3,782,802	4,137,583	917,004	-
	765,412	119,832	15,113,675	16,032,699	931,968	74,091

22/ RELATED PARTY DISCLOSURES

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

a) Key Management Compensation

Details of key management compensation are disclosed in the Remuneration Report.

b) Transactions with Key Management Personnel

David Ogg & Associates Pty Ltd, a company associated with Mr D Ogg, received commission for deposit placements of \$89 (2006: \$544) during the year.

c) Transactions with Directors and Director Related Entities

During the year the following transactions took place between the company and director related entities:

- (i) David Ogg & Associates Pty Ltd, a company associated with Mr D Ogg, received consulting fees of \$62,500 (2006: \$20,000) for the provision of management services. (These consulting fees are included in total remuneration in the Remuneration Report)
- (ii) Renewable Initiative Pty Ltd, a company associated with Mr Adam Boyd, received consulting fees of \$26,252 (2006: Nil) for the provision of consulting services. (These consulting fees are included in total remuneration in the Remuneration Report).
- (iii) Copper Strike Limited, a company associated with Mr D Ogg and Mr P Topham and Mr T Eadie:
 - In 2004 Royalco Resources Limited entered into an agreement with Copper Strike Limited whereby Royalco Resources Limited will receive a Net Smelter Return royalty of 1% of production from the Lake Margaret tenement.
 - Paid rent to Copper Strike Limited of \$19,951 (2006: 20,060) during the year.
 - entered into a Subscription and Royalty agreement with Syrah Resources Limited for the granting of a 1.5% royalty over Net Smelter Return from all or part of the tenements owned by Syrah in consideration for Royalco providing a \$200,000 unsecured interest free loan which is to be applied towards the allocation of 1,000,000 shares in the Initial Public Offer of Syrah Resources Limited.

d) Transactions with Controlled Entities

During the year Royalco Resources Limited, in the normal course of business, entered into transactions with its controlled entity Royalco Philippines Inc.

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
23/ NOTES TO THE STATEMENT OF CASH FLOWS				
a) Reconciliation of Operating Loss After Income Tax to Net Cash Flows From Operating Activities:				
Operating Loss after income tax	(1,469,938)	(1,652,373)	(461,465)	(1,699,721)
Non-Cash Activities				
Write down of Royalty Rights	-	22,216	-	22,216
Profit on sale of investments	(13,885)	(4,912)	(13,885)	(4,912)
Depreciation	21,062	1,974	11,126	1,974
Write off of formation expenses	-	-	-	-
Provision for diminution in investments	-	-	-	1,253,770
Share based payments	77,702	517,468	77,702	517,468
Employee entitlements	(36,225)	131,879	(36,225)	131,879
Fair value gains	(168,383)	(66,671)	(168,383)	(66,671)
Exploration expenses written off	1,275,400	809,929	334,421	-
Changes in net assets:				
(Increase)/Decrease in deferred tax	(185,727)	(492,630)	(185,727)	(889,124)
(Increase)/Decrease in receivables	4,651	(97,876)	-	(97,876)
(Increase)/Decrease in other current assets	72,476	(28,787)	61,454	(28,787)
Increase/(Decrease) in sundry creditors and accruals	(196,201)	158,765	(103,116)	158,766
Net Cash used in operating activities	(619,068)	(701,018)	(484,098)	(701,018)
b) Acquisition of Entities:				
On 27 June 2006 100% of the controlled entity Oxiana Philippines Inc was acquired.				
Details of this transaction are:				
Purchase consideration				
- Costs incurred – cost paid	-	294,277	-	294,277
- Costs incurred	-	22,056	-	22,056
- Equity settled consideration	-	5,000,000	-	5,000,000
	-	5,316,333	-	5,316,333
Assets & Liabilities held at acquisition date				
Cash	-	138,667	-	-
Receivables	-	21,872	-	-
Exploration Expenditure	-	4,744,515	-	-
Payables	-	(6,757)	-	-
	-	4,898,298	-	-
Goodwill on consolidation	-	418,035	-	-
	-	5,316,333	-	-

The goodwill is attributable to the potential successful exploration and sale of resources

24/ FINANCIAL INSTRUMENTS

a) The following table details the company's exposure to interest rate risk as at the 30 June 2007:

2006	Average Interest Rate (%)	Variable Interest Rate (\$) ← 1 Year	Fixed Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets					
Cash	5.0	10,827,559	-	-	10,827,559
Receivables	-	-	-	113,552	113,552
Other financial assets	-	-	-	119,970	119,970
Other	-	-	-	114,561	14,561
Financial Liabilities					
Payables	-	-	-	182,597	182,597

2007	Average Interest Rate (%)	Variable Interest Rate (\$) ← 1 Year	Fixed Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets					
Cash	6.2	1,008,311	8,000,000	-	9,008,311
Receivables	-	-	-	47,447	47,447
Other financial assets	-	-	-	491,850	491,850
Other current assets	-	-	-	3,510	3,510
Financial Liabilities					
Payables	-	-	-	42,330	42,330

b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of managing its exposure to credit risk by assessment of the creditworthiness of potential customers and obtaining sufficient collateral or other security where appropriate. The carrying amount of financial assets included in the consolidated accounts represents the exposure of the consolidated entity to credit risk.

c) Net Fair Values

The aggregate net fair values of financial assets and liabilities are the same as the carrying amounts.

d) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

FINANCIAL INFORMATION



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

	2007 Cents Per Share	2006 Cents Per Share
25/ (LOSS) PER SHARE		
Basic (loss) per share	(2.61)	(7.49)
Diluted (loss) per share	(2.46)	(6.94)
Earnings used in the calculation of basic and diluted earnings per share	(1,469,938)	(1,652,373)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss) per share	56,411,200	22,058,915
Weighted average number of ordinary shares and options outstanding during the year used in the calculation of (loss) per share	59,811,611	23,807,956

	Consolidated 2007 \$	Consolidated 2006 \$	Parent 2007 \$	Parent 2006 \$
26/ AUDITORS REMUNERATION				
Auditing or reviewing the financial report:				
- Leydin Freyer Corporate Pty Ltd	28,000	10,000	28,000	10,000
- Alas Oplas & Co	2,550	2,550	-	-
Independent Accountants Report				
- Leydin Freyer Corporate Pty Ltd	-	10,000	-	10,000
	30,550	22,550	28,000	20,000

27/ SUBSEQUENT EVENTS

There has been no matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION



The directors declare that:

1. The remuneration report as set out on pages 17 to 20 and the financial statements and notes, as set out on pages 22 to 44:
 - (a) comply with accounting standards and are in accordance with the Corporations Act 2001, and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and performance for the year ended on that date of the company; and
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Peter J Topham

Director

27 September 2007

INDEPENDENT AUDIT REPORT



TO MEMBERS OF ROYALCO RESOURCES LIMITED

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the consolidated balance sheet, income statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, the director's declaration for Royalco Resources Limited (the Company) and Royalco Resources Limited and Remuneration Report for the year ended 30 June 2007. The consolidated entity comprises both the company and the entities that it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included;

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian accounting ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

AUDIT OPINION

In our opinion, the financial report of Royalco Resources Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) gives a true and fair view of the Royalco Resources Limited's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001.
- (b) other mandatory financial reporting requirements in Australia.

INHERENT UNCERTAINTY REGARDING DEFERRED EXPENDITURE

Without qualification to the opinion expressed above, attention is drawn to the following matter. As explained in Note 1(f) to the financial statements, in accordance with the groups accounting policy, deferred expenditure of the Consolidated Entity \$3,556,151 (2006: 3,977,045) and Parent Entity \$Nil (2006: \$68,263) has been included in the financial statements in respect of areas of interest in exploration, evaluation and development phases. The ultimate recovery of the group's deferred expenditure is dependent on the successful development and commercial exploitation or alternatively, the sale of the respective areas of interest.

INHERENT UNCERTAINTY REGARDING ROYALTY RIGHTS

Without qualification to the opinion expressed above, attention is drawn to the following matter. As explained in Note 1(e) to the financial statements, in accordance with the groups accounting policy, royalty rights carried forward in the Consolidated Entity of \$336,697 (2006: \$336,697) and Parent Entity \$336,697 (2006: \$336,697) has been included in the financial statements. The ultimate recovery of the group's royalty rights is dependent on the successful development and commercial exploitation of the areas of interest by the parties holding tenure rights to the area.

LeydinFreyer

LEYDIN FREYER CORPORATE PTY LTD
Chartered Accountants



M J Leydin
Director

27 September 2007

ADDITIONAL ASX INFORMATION



CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place since the last quarter of the 2007 financial year. These Corporate Governance practices comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

ROLE OF THE BOARD

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfill this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals.

Because of the limited size of the Company and its financial affairs and operations, the use of a separate remuneration and nomination committee is not considered generally appropriate. All matters that might properly be dealt with by such committees are currently dealt with by the full Board of Directors. Decisions of the Board are, to the extent practicable, unanimous. There were no occasions during the year when decisions were not unanimous.

The company acknowledges that the ASX guidelines for corporate governance require that the Chairman be an independent non executive director, and that at any rate the Chairman and Managing Director roles should not be performed by the same person. Because of the limited size and nature of the Company's activities, this is not considered to be practical or appropriate at the current time. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to best practice guidelines.

The Board operates in accordance with the broad principles set out in its charter, which is available from the Corporate Governance section of the company's website at www.royalco.com.au.

COMPOSITION OF THE BOARD

The names and details of the Directors of the Company in office at the date of this Statement are set out in the Director's Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.
- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and program, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company.
- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.
- The Company considers that the Board should have at least three Directors (minimum required under the Company's Constitution) and strives to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has five Directors, of which three are independent. The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the

Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

PERFORMANCE OF DIRECTORS AND MANAGING DIRECTOR

The performance of all Directors, the Board as a whole and the Managing Director is reviewed at least annually in accordance with the Company's Corporate Governance guidelines.

A review was undertaken during the year ended 30 June 2007. The Company appointed Mr Peter Topham as Managing Director on 26 March 2001.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Directors related entity transactions with the Company and Consolidated Entity are set out in the related parties note in the financial statements.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

REMUNERATION

The Company's ASX Principles of Good Corporate Governance as adopted is to Remunerate Fairly and Responsibly and part of the remuneration is to be incentive based as considered appropriate by the Board. The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
- demonstrates a clear relationship between key executive performance and remuneration.

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. The Board has adopted the following policies of Directors and executives remuneration:

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period is included in the remuneration report, which is contained within the Report of the Directors.

AUDIT COMMITTEE

The Company's Audit Committee comprises of David Ogg, Tom Eadie and Adam Boyd and the Committee considers matters relating to financial affairs of the Company, compliance with statutory requirements, ASX Listing Rules and issues relating to internal and external audit.

COMPANY WEBSITE

Royalco Resources Limited has made available details of all its Corporate Governance principles, which can be found in the Corporate Governance information section of the Company website at www.royalco.com.au

SHAREHOLDER INFORMATION



The shareholder information set out below was applicable as at 25 September 2007.

1/ DISTRIBUTION OF SHAREHOLDERS

(a) Analysis of number of shareholders by size of holding.

Category of holding	Number	Number of Shares
1 - 1,000	25	19,186
1,001 - 5,000	231	849,130
5,001 - 10,000	139	1,225,421
10,001 - 100,000	241	8,015,114
100,001 shares and over	44	46,302,349
Total	680	56,411,200

(b) There are 6 shareholders holding 1,523 shares with less than a marketable parcel of ordinary shares.

2/ TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of ordinary shares are listed below:

SHAREHOLDER	HOLDING	%
Oxiana Limited	10,000,000	17.73
ANZ Nominees Limited ←Cash Income A/C→	5,155,773	9.14
Keryn Anne Topham	3,840,000	6.81
Riomin Australia Gold Pty Ltd	3,624,000	6.42
National Nominees Limited	2,619,475	4.64
Meballa Pty Ltd	2,400,000	4.25
JP Morgan Nominees Australia Ltd	2,400,000	4.25
HSBC Custody Nominees (Australia) Ltd	2,335,601	4.14
Porthill Resources Pty Ltd	1,910,400	3.39
Bow Lane Nominees Pty Ltd	1,883,346	3.34
D Ogg & P Daly ATF (Tara Super Fund)	1,200,000	2.13
Invia Custodian Pty Ltd White A/C	897,579	1.59
Ergun Koksall	674,186	1.20
Chiodo Carlo	664,000	1.18
Finance Associates Pty Ltd ←Super Fund A/C→	533,000	0.94
Merill Lynch Australia Nominees Pty Ltd ←Berndale A/C→	500,000	0.89
Mianer Pty Ltd	430,000	0.76
Friend Betty Marie	418,200	0.74
HSBC Custody Nominees (Australia) Ltd	415,685	0.74
Herbertine Jessop	288,000	0.51
Total	42,189,245	74.79

3/ RESTRICTED SECURITIES

As at 25 September 2007 the following shares were subject to escrow arrangements:

Date escrowed to	Number of shares
29-06-2008	9,549,912
Total	9,549,912

In addition there were 2,800,000 options exercisable at 50 cents and maturing on 31 March 2011 that were subject to escrow arrangements until 29 June 2008.

4/ SUBSTANTIAL SHAREHOLDERS

As at 25 September 2007 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Oxiana Limited	10,000,000	17.73
ANZ Nominees Limited ←Cash Income A/C→	5,155,773	9.14
Keryn Anne Topham	3,840,000	6.81
Riomin Australia Gold Pty Ltd	3,624,000	6.42

5/ VOTING RIGHTS

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

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